# JFE Holdings, Inc.

Financial Results Briefing for the Fiscal Year Ended March 2025

May 8, 2025

**Moderator:** Now, we will move on to the Q&A session.

Participant: Regarding the crude steel production of 21 million tons for the fiscal year 2025, there are various factors such as the impact of anti-dumping investigations in South Korea and the risk of declining automobile sales, in addition to the United States. According to the data from the Ministry of Economy, Trade and Industry, crude steel production is expected to decrease by about 4% from April to June. How did you incorporate these risks?

**JFE:** The crude steel production for the fiscal year 2025 is expected to be 21 million tons, which is a decrease of 950,000 tons compared to the fiscal year 2024. We have incorporated risks that have not yet materialized but may become apparent in the future, such as trade measures centered on the United States and the currently severe overseas market conditions. It is difficult to clearly separate each impact, but we estimate that the impact of the series of tariff measures in the United States, including the decrease in steel exports to the United States and the decrease in domestic automobile production, will be about 500,000 tons. The remaining amount includes other risks.

**Participant:** Looking at the customs statistics, there are many exports of hot-rolled coils to South Korea. If anti-dumping measures are applied, can the volume be covered by alternative destinations? Are such risks also incorporated into the plan for the fiscal year 2025?

**JFE:** We have formulated the profit outlook on the premise that risks will affect production and sales quantities. In actual operation, we will make decisions on alternative orders while considering profitability.

**Participant:** Regarding the deterioration of the spread in the fiscal year 2025, should we understand that this is due to the deterioration of profitability caused by factors such as exchange rates, rather than the deterioration of the mix?

**JFE:** Yes. The main factor is the deterioration of export profitability due to the appreciation of the yen.

**Participant:** Regarding the banking of the Kurashiki No. 3 blast furnace, please tell us the background of the decision to target the Kurashiki No. 3 blast furnace.

**JFE:** The decision on which blast furnace to bank was discussed at JFE Steel from three main perspectives. First, the ability to respond quickly to production cuts. Second, the perspective of the production mix and production capacity. Third, the possibility that relocation work of ancillary equipment may be necessary depending on the blast furnace to be banked. Based on these comprehensive judgments, we concluded that the Kurashiki No. 3 blast furnace would be banked in mid-May.

**Participant:** When did you start considering banking?

**JFE:** We started considering it from the fourth quarter of the fiscal year 2024.

**Participant:** Regarding the impact of US tariffs, you mentioned that it is about 500,000 tons including direct and indirect impacts. What kind of estimation is this based on?

**JFE:** Our exports to the United States are not very large, and they mainly consist of steel products that are difficult to replace locally, so we see the direct volume reduction risk as limited. Most of the impact is due to the decrease in domestic automobile exports and production to North America caused by additional tariffs on automobiles, and the impact on cases where our steel products exported to third countries are reprocessed and exported to the United States. Additionally, if mutual tariffs are introduced, we need to pay attention to the impact on fields with high export ratios to North America, such as construction machinery. Considering these factors comprehensively, we estimate the impact to be about 500,000 tons.

**Participant:** Regarding the profitability level for the fiscal year 2025, how do you assume the spread for domestic and export respectively? Also, the impact of the quantity reduction of 950,000 tons compared to the previous year seems small at minus 15 billion yen on volume and mix. I understand that this includes positive factors, but could you please explain in detail whether it is based on the premise of reducing exports?

**JFE:** Regarding the spread, of the 56 billion yen deterioration, a significant portion is for exports. For domestic sales, there is a slight deterioration impact due to the timing difference in reflecting raw material prices in sales prices, but other than that, we maintain the policy of securing an appropriate spread as usual. The impact of the volume reduction is minus 25 billion yen, but after subtracting the 10 billion yen improvement in mix, it is minus 15 billion yen. We are working to increase the ratio of high-value-added products with high profitability, such as electrical steel sheets and plates for wind power generation, while reducing commodity products with low spreads for overseas markets. We have incorporated the effects of these efforts into our forecast for the fiscal year 2025.

**Participant:** Regarding the export volume, while incorporating a greater reduction than crude steel volume reduction, the increase in the volume of high-value-added products partially offsets the net volume reduction to 950,000 tons. Is this understanding correct?

**JFE:** The 950,000-ton reduction includes various factors, and it is difficult to clearly separate them. Basically, we continue the policy of reduction of commodity-grade products with low spreads for overseas markets, but as a result, we believe that there will be parts where domestic demand decreases due to the indirect impact of US tariffs.

**Participant:** Regarding the cost reduction of 24 billion yen from the fiscal year 2024 to the fiscal year 2025, you mentioned that there are cost increases due to volume reduction, as well as cost reductions due to operational improvements and banking. Could you please provide an image of the gross impact of each? Also, are there any cost improvements due to self-help efforts?

**JFE:** We cannot provide detailed figures for the breakdown of the 24 billion yen, but we expect improvements from operational efficiency due to banking, the resolution of cost increases caused by manufacturing troubles last year, and the realization of revenue improvements from DX and capital investments so far.

**Participant:** Regarding manufacturing troubles, you mentioned that there was an impact of minus 10 billion yen in the previous investor's meeting. Has there been any change since then?

**JFE:** In the previous meeting, we explained that the impact of manufacturing troubles in the 2H of the fiscal year 2024 was 5 billion yen in terms of cost and 5 billion yen in terms of volume, and there has been no change since then.

**Participant:** Regarding the impact of exchange rates, I understood that the impact on your company was almost neutral, but could you please explain the current situation?

**JFE:** We have explained that our dollar balance is in excess of payments, and this situation has not changed. On the other hand, for domestic sales, we have reflected the increase in yen-denominated raw material costs due to the depreciation of the yen in sales prices. Therefore, when the yen appreciates rapidly like this time, we have to reflect it to some extent in sales prices. As a result, the impact of the appreciation of the yen appears mainly in the form of deterioration in profitability considering the dollar balance in exports (excess receipts).

**Moderator:** This concludes the Q&A session regarding the financial results for the fiscal year 2024 and outlook for the fiscal year 2025.

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